

Measuring Progress Beyond GDP

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Why going beyond GDP

Building back better after COVID requires a new compass

- Risk to **focus too much again on GDP** to judge countries' performance and social and human progress, **despite longstanding limitations**
- GDP: **imperfect measure of production and aggregate income** derived from productive activities
- **Not a measure of welfare or well-being** (e.g. lack of *distributional aspects* and *quality of life* dimensions that matter to people and communities)
- **Ignores sustainability** (resources that underpin future well-being, e.g. depletion of environmental resources)
 - **Disconnect between economic growth and people's and communities' perceptions of their own living conditions today and tomorrow**
 - **Leading to loss of trust in governments and institutions**
 - **Need more than just one number; produce a dashboard of indicators**

Three distinct but connected spheres

- **Production** - economic performance at aggregate level
- **Well-being** - the economic and non-economic outcomes that matter most to people
- **Sustainability** – the capacity to generate well-being outcomes over time
 - **Basic features of this three-tier framework can be found in Stiglitz-Sen-Fitoussi 2009 report and its successor Stiglitz-Fitoussi-Durand 2018 report**
 - **Digitalisation is a cross-cutting phenomenon that affects all three spheres and their measurement, so not treated as a sphere in itself.**
 - **Similarly, other mega-trends such as globalisation not considered as separate spheres**

Defining the contour of a new compass to assess well-being and progress

- **Within the production sphere, improving GDP measurement by addressing longstanding limitations**
 - **Scope of assets included in production process** (e.g. environmental and digital assets; treatment of education and health)
 - **Unpaid household production/work** (e.g. care and digital services)
 - **Size of digital economy** (e.g. 'free' services, value of data, digital trade)
 - **Globalised production** (e.g. cross-border operations of MNEs, including intellectual property products)
 - **Informality** (included in GDP but underestimated in countries where it is high)
- **Well-being beyond the production sphere, measuring what matters to people**
 - **Material conditions and quality of life** (income, work and job quality, housing, health, skills, work-life balance, environmental quality, safety, social connections, civic engagement, subjective well-being, etc.)
 - **Inequalities and deprivations** in well-being outcomes across population
- **Sustainability, measuring resources for future well-being**
 - **Economic, human, natural and social capital stocks** (e.g. produced fixed assets, skills, protected areas, trust) **and flows** (depletion and investment)
 - **Risks** (e.g. debt levels, CO2 emissions, threatened species, obesity, corruption) **and resilience factors** (e.g. renewables, gender parity)

The OECD well-being framework

Current Well-Being



Inclusion



Sustainability



- Focuses on **people** (i.e. individuals and households), their situation and how they relate to others in the **community** where they live and work.
- Concentrates on both current well-being **outcomes** and the **resources** underpinning well-being in the future (**sustainability**).
- Considers vertical and horizontal **inequalities** across well-being dimensions
- Looks at both **objective** and **subjective** aspects of well-being

➤ Links with SDGS

Where do we stand and challenges ahead

➤ Need to balance improvements in GDP vs. investing in well-being and sustainability indicators

- Ultimately depends on the **importance attached to GDP and related mismeasurement issues** in public debate and decision-making
- Many **improvements to GDP on agenda of UN Statistical Commission** (e.g. ISWGNA (SNA revision, DNA), SEEA implementation) but will take time
- ~ 50% OECD countries and a number of developing countries have developed **statistical well-being frameworks**; countries are **investing in SDG indicators** but much remains to be done
- Some progress but **a lot of unresolved issues in the measurement of sustainability**

➤ New indicators of progress are not enough, need to be used in policy design, monitoring and evaluation ...

- **Improved diagnosis only a first step**
- **Very few countries have developed new tools, models and policy frameworks** even as indicators are available (e.g. well-being, green or gender budgeting; well-being cost-benefit analyses; systems and integrated approaches to policy-making)

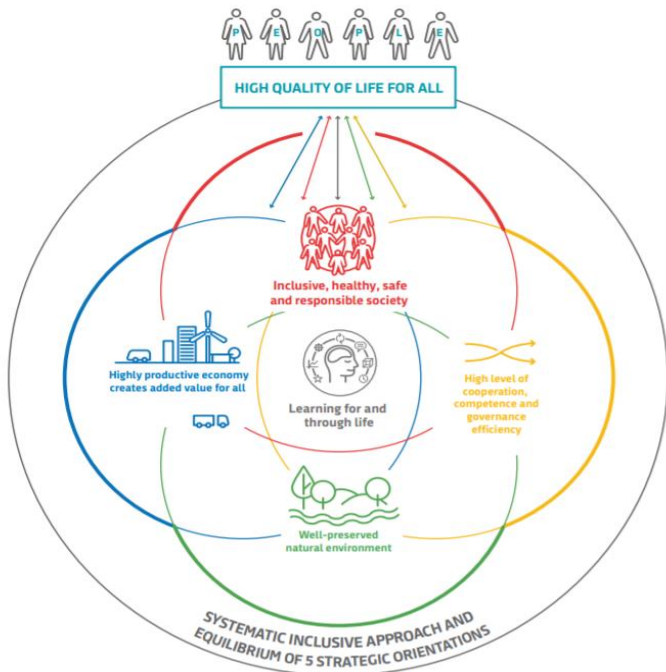
➤ ... And by the private sector

- Movement to **redefine the role of the firm** is gaining traction (notion of **stakeholder vs. shareholder value**)
- Alignment of approach to **measure business non-financial performance** (proliferation of **ESG ratings**) and firms' well-being and sustainability impact

Some illustrations

Example 1 : Selected National Well-being and Sustainability Frameworks

Slovenia



France

LES NOUVEAUX INDICATEURS DE RICHESSE

#NouveauxIndicateurs



New-Zealand



Scotland



Example 2: EU-UNECLAC-OECD project

Well-Being and Sustainability Dashboard for LAC Region

<http://oe.cd/how-s-life-in-latin-america>

- Adapting the OECD Well-Being framework to priorities of 11 countries from the LAC region: **Argentina, Brazil, Chile, Colombia, Costa Rica, The Dominican Republic, Ecuador, Mexico, Paraguay, Peru, Uruguay**
- Covers same dimensions as original OECD framework but puts more emphasis on **additional issues such as poverty, informality, child labour, support for democracy, impact of natural hazards, etc.**
- Includes **30 ‘headline’ indicators** and a number of secondary indicators
- Majority of indicators **directly or indirectly linked to SDG targets** (exceptions: social connections, subjective well-being)



From a long-term perspective, important gains in current well-being were made between ~2000-19

But some aspects stagnated or worsened

Current well-being: gains and losses in LAC 11 2000-2019

LAC 11 well-being gains ~2000-2019

- **Household final consumption expenditure per capita** up 36%, cumulatively; GNI per capita up 47%
- Share of people below the **regional poverty line**, down from 34.5% to 21.3%*
- Households with **access to drinking water**, up from 64 to 71%; internet access, up from 32% to 50%*
- **Life expectancy** up 3.7 years (to 76.7 years); under-5s mortality down 49%; maternal mortality down 30%
- **Secondary educational attainment** up from 34% to 46%; tertiary up from 12% to 19%
- **Reading skills at age 15** (PISA mean score) up from 404 to 419*
- **Homicides down** 24%; crime victimisation down from 43% to 25%
- **Mean average exposure to fine particulate matter** air pollution (PM_{2.5}), down 9%
- **Share of people with low life satisfaction** down from 24% to 19%

Little change ~2000-2019

- **Informal employment** (down 1.4% to 56.7%)
- **Feeling safe** walking alone at night (stable)*
- **Road deaths** (down 1%)
- **Social support** (stable)*
- **Voter turnout** (stable)

- **Employment** down from 67.5% to 66.4%*
- **Unemployment** up from 6.5% to 7.7%*
- **Time-related underemployment** up from 8.4% to 9.1%*
- **Suicide mortality** up 5%
- Share **satisfied with health care** – down from 55% to 49%*
- Share **voicing opinion to an official** – down from 21% to 17%*
- Share feeling that the **State is captured by the elite** up from 74% to 81%

LAC 11 well-being losses ~2000-2019



Example 3: Beyond-GDP Dashboard covering the three Spheres : the OECD post-COVID19 recovery dashboard

- Covers simultaneously **four dimensions**, with clear demarcation of cyclical and structural indicators
- **Timeliness**: Nine indicators at quarterly, monthly or weekly level
- **Disaggregation**: Gender (6 indicators), top/bottom sectors (GDP growth), top/bottom regions (broadband coverage), institutional sectors (liabilities)

How robust is the economic recovery?

1. GDP growth → **By sectors**
2. Total hours worked
3. Household income
4. Business dynamism
5. Health risks → **By gender**

STRONG

INCLUSIVE

Does recovery create more equal opportunities for all?

1. Income inequality
2. Labour underutilisation → **By gender**
3. Young people out of job or training
→ **By gender**
4. Financial insecurity → **By gender**
5. Life satisfaction → **By gender**

Is the recovery climate-proof?

1. GHG emissions
2. Renewable energy share
3. Material consumption
4. Natural land cover
5. Exposure to outdoor air pollution

GREEN

RESILIENT

What it takes to withstand the crisis and prepare for future challenges?

1. Liabilities by institutional sector
→ **By government, households, non-financial institutions**
2. Investment
3. Broadband coverage → **By regions**
4. Trust in government → **By gender**
5. COVID-19 vaccination coverage